

# NATIONAL CREDIT UNION ADMINISTRATION

# NCUA News

## Senate confirms Johnson and Matz to NCUA's Board

The Senate Banking Committee held confirmation hearings for NCUA Board nominees JoAnn Johnson and Deborah Matz March 14, and on March 22 the Senate voted to confirm both candidates to seats on the NCUA Board.

"I am extremely pleased the Senate acted quickly to confirm my colleagues JoAnn Johnson and Deborah Matz to the NCUA Board," NCUA Chairman Dennis Dollar said. "I know both women will contribute much to NCUA as effective regulators and to the credit unions we regulate and insure. I look forward to continuing our good, solid working relationship as we serve together on the NCUA Board."

"I thank the members of the Senate for bestowing upon me this great honor of serving our nation," Board Member JoAnn Johnson said. "With so many people continuing to join credit unions around the country, more and more Americans depend on regulatory decisions and systems that assure quality and integrity. In my position on the board, I will work to ensure NCUA's core duties

are done well. My goal is to be responsive to credit unions and make prudent decisions that meet the needs of this dynamic and growing industry."

"I'm extremely pleased to have been confirmed by the U.S. Senate for such an important position," Board Member Matz said. "I'm grateful to all the people who worked so hard on my behalf over the past few months. Credit unions are an important part of the financial service industry and have an illustrious history of consumer service. I am deeply honored to have been chosen as an NCUA board member and I look forward to working to maintain the high standards of the credit union industry for their 80 million members."

Democrat Matz and Republican Johnson were named by President George W. Bush to recess appointments on the NCUA Board January 22, 2002. With confirmation, Board Member Matz' term expires August 2, 2005 and Board Member Johnson's term expires August 2, 2007.



*March 14, 2002 – Then NCUA Board nominees' Deborah Matz (left) and JoAnn Johnson testify before the Senate Banking Committee.*

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### WWWeb updates

For the latest from the NCUA Board, please visit their web pages to secure speeches, new releases, appearances, photos, and the Board calendar and reports. Board member web-links are [www.ncua.gov/org/ncua\\_board/dollar.html](http://www.ncua.gov/org/ncua_board/dollar.html), [www.ncua.gov/org/ncua\\_board/johnson.html](http://www.ncua.gov/org/ncua_board/johnson.html), and [www.ncua.gov/org/ncua\\_board/matz.html](http://www.ncua.gov/org/ncua_board/matz.html)

## News briefs

### Liquidity exam procedures —

NCUA's new liquidity exam procedures are now available on the NCUA's website at <http://www.ncua.gov/ref/Investment/ALM-reviewprocedures.html>

### Systems & technical support —

Video-conferencing systems for the central and regional offices have been installed. The agency's area network is being upgraded to accommodate increased transmission requirements and user training will be provided within the next few months.

**NCUSIF equity level** — The equity level of the Share Insurance Fund increased to 1.31 percent March 31, 2002, based on December 31, 2001, insured shares of \$404 billion.

### YTD credit union failures —

Through March, four credit unions have been involuntarily liquidated this year at a cost to date of \$473,000.

### NCUSIF earns clean opinion —

Deloitte & Touche issued an unqualified opinion on the NCUSIF 2001 financial statements. This is the 17th consecutive unqualified opinion issued to the Share Insurance Fund.

### Deposit refunds and adjustment —

Refunds of \$10.7 million were issued in March to credit unions with declines in insured shares between January 1 and December 31, 2001, or between July 31 and December 31 for credit unions over \$50 million in assets.

### Capitalization deposit adjustments/ Operating fees —

Invoice/refund statements for capitalization deposit adjustments and operating fees were issued in March. Federal insured credit union deposits adjustments totaled \$241.1 million and federally credit union Operating fee assessments totaled \$53.9 million.

## Risk-focused examiner training scheduled in August

- Training teams and lesson plan development teams have been formed as NCUA prepares to train its entire examiner staff at conferences scheduled in August 2002. Lesson plan subjects include: exam scope and planning, scope workbook, AIRES, report writing, team exams, Bank Secrecy Act, allowance for loan and lease losses, and case study reviews.



**March 21, 2002, New York City** — The Metropolitan District of the New York State Credit Union League, Inc. and Affiliates, present Chairman Dennis Dollar with a certificate of appreciation for his support of N.Y. credit unions in the aftermath of the terrorist attacks of September 11th. From the left are Michael Lotz, district director; William Mellin, president/CEO, New York State Credit Union League; Chairman Dollar; John Gibardi, district director; and Michael Masi, district president.

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# NCUA News

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures credit unions.

**Dennis Dollar, Chairman**  
**JoAnn M. Johnson, Board Member**  
**Deborah Matz, Board Member**

Information about NCUA and its services may be secured by writing to the Office of Public and Congressional Affairs, or by calling 703-518-6300. News of what is happening at NCUA is available by calling 800-755-1030 or 703-518-6339.

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## C. Austin Montgomery passes away

Former NCUA Administrator C. Austin Montgomery, 84, died March 6, 2002, in Athens, Texas.

Mr. Montgomery was administrator of the National Credit Union Administration from July 1976 to July 1977. Before joining NCUA, he was the Illinois director of Financial Institutions after serving as the state deputy director for Administration, Department of Insurance. Montgomery chaired the Henderson

County, Texas, Republican Party for 10 years after leaving NCUA.

C. Austin Montgomery was born Dec. 6, 1917, in Lawrenceville, Ill. His wife, Ruth, two daughters, a son-in-law, six grandchildren and six great-grandchildren survive him. Memorials may be sent to First Presbyterian Church of Athens, P.O. Box 927, Athens TX, 75751, or to the charity of your choice.

## NCUA Board actions March 13, 2002

### Federally insured credit unions will report quarterly to NCUA

The NCUA Board issued final rule changes to Parts 702 and 741, effective July 1, 2002, requiring all federally insured credit unions to file quarterly 5300 Call Reports beginning September 30, 2002, to provide NCUA with the ability to monitor each institution's financial trends. Quarterly call reports add an essential component necessary to implement NCUA's new risk-based examination scheduling, which extends the examination cycle for qualifying credit unions; and the risk-focused examination program, which focuses attention on operational areas that represent the greatest risk to credit unions.

While all federally insured credit unions will be required to submit quarterly call reports beginning mid-year 2002, credit unions under \$10 million in assets may use a new, short 5300 form being developed to file first and third quarter data. Smaller credit unions will file the regular, 16-page 5300 form at midyear and yearend.

The final rule also eliminates the necessity to file written notice with NCUA of net worth changes currently required by prompt corrective action, Section 702.

### Connecticut member business loan rule approved

The NCUA Board approved a state-specific member business loan rule that Connecticut submitted for review. The rule accomplishes the overall objectives of Part 723 of NCUA R&Rs, protecting the safety and soundness of the Share Insurance Fund.

### Corporate CU amends national FOM

The NCUA Board approved an amendment expanding the existing national field of membership of Southeast Corporate Federal Credit Union, Tallahassee, Fla., to include organizations that primarily serve credit unions.

### Charter expansions

The NCUA Board approved the request of \$153 million **Denver Community Federal Credit Union**, Denver, Colo., to expand its community charter to extend credit union service to include the city and county of Denver, Colorado.

The NCUA Board approved the request of \$204 million **Warrick Federal Credit**



**March 15, 2002, Arlington, Va.** —Board Member Matz with NAFCU Board members at NAFCU headquarters. In the front from the left are Brian McDonnell, president and CEO-Navy FCU; Jim Mills, president and CEO-Three Rivers FCU; Ms. Matz; Diane Furnas, president and CEO-Southwest Airlines FCU; John Milazzo, president and CEO-Campus FCU; and Michael Vadala, president and CEO, The Summit FCU. In the back row are Brad Beal, president and CEO-Nevada FCU; William Brooks, president and CEO-Lafayette FCU; William Cheney, president and CEO-Xerox FCU; Don Mahan, president and CEO-Centris FCU; and Frank De Mita, chairman-Nassau Educators FCU

**Union**, Newburgh, Ind., to expand its community charter to extend credit union service to Warrick and Vanderburgh Counties, Ind.

The Board voted to remove from the agenda a federal credit union application to add an underserved area.

**Votes are unanimous unless otherwise indicated.**

## About investments Risk/return at a premium

Interest rates are low, so where do you go for yield? Premium risk is one way to obtain higher returns, but without careful, thoughtful analysis it may cause a lot of pain.

Some brokers may offer securities selling at a premium to face value. Securities are typically purchased at a premium because they carry high coupon payments. By assuming premium risk, a

credit union might be able to increase current yield. Further, the broker may point out that if rates rise, prepayments are expected to slow on an amortizing security such as a mortgage-backed security. This extension in expected maturity would permit the premium to be spread over a longer period, increasing the return on investment.

Unfortunately, the price of almost all premium mortgage-backed securities and other securities with extension risk will fall with an increase in interest rates. This decline in value usually more than offsets any benefit of spreading premium over a longer period.

Also, the price of amortizing securities purchased at a premium will fall rapidly as interest rates decline. This is because prepayments will increase resulting in the principal being repaid at par. Therefore, the investor will not recognize the interest from the higher coupons, and the premium is lost.





**Who and What:** Chairman Dennis Dollar will speak at the South Carolina Credit Union League's Annual Meeting  
**When:** 9:00 a.m., Friday, April 19, 2002  
**Where:** Embassy Suites Hotel, Kingston Plantation, North Myrtle Beach, SC  
**Why:** Participant feedback will be considered and solicited on NCUA initiatives and policies. Q&A with participants is scheduled.  
**Contact:** Nicholas Owens at 703-518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member Johnson will address the Texas CU League at their 68<sup>th</sup> Annual Meeting & Exposition  
**When:** 9:45 a.m., Fri., April 19, 2002  
**Where:** San Antonio, TX  
**Why:** Board Member Johnson will share her insight into credit unions and the future direction of NCUA.  
**Contact:** Laurie Eagan, 703-518-6309 or [Laurie@ncua.gov](mailto:Laurie@ncua.gov)

**Who and What:** Board Member Deborah Matz will address the Community Credit Union Conference  
**When:** Tuesday, April 22, 2002  
**Where:** Community Credit Union, 1309 W. 15<sup>th</sup> Street, Plano, Texas  
**Why:** Board Member Matz will share her insight into credit unions and the future direction of NCUA  
**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Board Members' Deborah Matz and JoAnn Johnson will address the Wisconsin Credit Union League's 1<sup>st</sup> Annual Credit Union House Event  
**When:** 11:30 a.m., Wednesday, April 24, 2002

**Where:** Credit Union House, 403 C. Street, NE, Wash., DC  
**Why:** Board Members' Matz and Johnson will share insights into credit unions and the future direction of NCUA  
**Matz Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)  
**Johnson Contact:** Laurie Eagan, 703-518-6309 or [Laurie@ncua.gov](mailto:Laurie@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at a Management Perspective Seminar  
**When:** 8:30 a.m., Thursday, April 25, 2002  
**Where:** Palace Hotel, Beijing, China  
**Why:** Participant feedback will be considered and solicited on NCUA initiatives or policies. Q&A with participants is scheduled.  
**Contact:** Nicholas Owens at 703-518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member JoAnn Johnson will speak at the 19<sup>th</sup> Annual Conference of the National Council of Postal CU's  
**When:** April 30, 2002  
**Where:** Maui, Hawaii  
**Why:** Board Member Johnson will share her insight into credit unions and the future direction of NCUA.  
**Contact:** Laurie Eagan, 703-518-6309 or [Laurie@ncua.gov](mailto:Laurie@ncua.gov)

**Who and What:** Board Member Deborah Matz will address the Michigan CU League – Government Affairs Conference  
**When:** 8:30 a.m., Wednesday, May 1, 2002  
**Where:** Radisson Hotel, 111 N. Grand Avenue, Lansing, Mich.  
**Why:** Board Member Matz will share her insight into credit unions and the future direction of NCUA  
**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at the Colorado Credit Union League's Annual Meeting.  
**When:** Thursday or Friday, May 2 or 3, 2002  
**Where:** Broadmoor Hotel, Colorado Springs, Colo.  
**Why:** Participant feedback will be considered and solicited on NCUA

initiatives and policies. Q&A with participants is scheduled.  
**Contact:** Nicholas Owens at 703-518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

**Who and What:** Board Member JoAnn Johnson will address the Hawaii CU League at their 64<sup>th</sup> Annual Convention  
**When:** May 2-4, 2002  
**Where:** Waikoloa, Hawaii  
**Why:** Board Member Johnson will share her insight into credit unions and the future direction of NCUA  
**Contact:** Laurie Eagan, 703-518-6309 or [Laurie@ncua.gov](mailto:Laurie@ncua.gov)

**Who and What:** Board Member Deborah Matz will address the Massachusetts, New Hampshire and Rhode Island Credit Union Leagues  
**When:** 1:30 p.m., Tuesday, May 7, 2002  
**Where:** Credit Union House, 403 C St., NE, Washington, DC  
**Why:** Board Member Matz will share her insight into credit unions and the future direction of NCUA  
**Contact:** Patty Jenkins at 703-518-6318 or [pjenkins@ncua.gov](mailto:pjenkins@ncua.gov)

**Who and What:** Chairman Dennis Dollar will speak at the European Defense Credit Union Sub-Council Conference  
**When:** 8:45 a.m., Thursday, May 9, 2002  
**Where:** Nordic Light and Sea Hotel, Stockholm, Sweden  
**Why:** Participant feedback will be considered and solicited on NCUA initiatives and policies. Q&A with participants is scheduled.  
**Contact:** Nicholas Owens at 703-518-6336 or [nowens@ncua.gov](mailto:nowens@ncua.gov)

## Matz and Johnson settle in, express their thanks and look to the future

Now that the confirmation process is complete, Board members JoAnn Johnson and Deborah Matz express thanks to NCUA and the credit union community and begin their terms with extensive travel schedules.



"It has been almost three months since I started my term on the NCUA Board and I thank everyone at

NCUA for your warm welcome and eagerness to help me get acclimated to the agency. I especially want to thank those who have briefed me on the numerous issues that come before the Board and on the NCUA policies and procedures", Board Member Matz said. "It was immediately apparent to me, based on the quality of the briefings, that NCUA staff are talented, dedicated and proud of their agency."

"I also want to thank those of you in the credit union industry for your good wishes and kind thoughts," Matz continued. "I feel privileged to be part of the credit union community and honored to serve on the NCUA Board.

Beginning an extensive travel schedule that includes NCUA, credit unions, league and trade organizations Matz said, "As I travel the country, I look forward to meeting as many of you as possible, hearing your ideas and seeing credit unions in action. Whether I'm visiting NCUA or the credit union community, if you have any concerns about the agency or comments on how we can do things better, please do not hesitate to call or



e-mail me. Again, I look forward to meeting with you."

Board Member Johnson said, "Now that the

confirmation process is complete, I'd like to thank the many people here at NCUA and throughout the credit union community who have helped me get up-to-speed on credit union issues and NCUA operations and policies."

"Of course confirmation only begins the journey," Johnson said of the role of a board member. "I'm very excited about taking the next step, getting out into the credit union community listening and learning first-hand what issues are important, and how NCUA can help credit unions successfully serve their members. Serving members well is a hallmark of credit unions, and one of my goals is to ensure that excellent member service remains a top priority."

"I've already crisscrossed the country several times meeting leagues on both coasts, trade organizations and several corporates and my hectic schedule continues into the foreseeable future," Johnson continued. "I'm here to serve and protect the credit union community and it's imperative I hear from as many as possible. Please, don't hesitate to approach me if you have a question, idea or information you'd like to share."

## Fed issues truth in lending amendment

The Federal Reserve Board adopted Regulation Z (Truth in Lending) amendments in December broadening the scope of mortgage loans subject to the Home Ownership and Equity Protection Act (HOEPA) by adjusting the price triggers used to determine coverage.

The amendment lowers the rate-based trigger by two percentage points for first-lien mortgage loans, with no change for subordinate-lien loans. The fee-based trigger is revised to include the cost of optional credit insurance and similar debt protection products paid at closing. The amendments restrict certain acts and practices in connection with home-secured loans. For example, creditors may not engage in repeated refinancing of their HOEPA loan over a short time period when transactions are not in the borrower's interest. The amendments also

strengthen a HOEPA prohibition against extending credit without regard to consumers' repayment ability and enhance disclosures received by consumers before closing on HOEPA-covered loans.

While the rule was effective December 20, 2001, compliance is mandatory October 1, 2002.

## HMDA threshold adjusted

NCUA issued *Regulatory Alert No. 02-RA-01* in **March** to inform federally insured credit unions of the revised Home Mortgage Disclosure Act (HMDA) reporting threshold. The Board of Governors of the Federal Reserve System (FRB) announced the exemption threshold for depository institutions required to report data under HMDA is increased from \$31 million to \$32 million in assets effective January 1, 2002.

The FRB annually adjusts the asset-size of the exemption threshold for

depository institutions based on annual percentage changes in the consumer price index. A copy of the amendment is available on the FRB website at: [www.federalreserve.gov/boarddocs/press/boardacts/2001/20011219/attachment.pdf](http://www.federalreserve.gov/boarddocs/press/boardacts/2001/20011219/attachment.pdf)

To determine if a credit union should collect HMDA data in 2002, answer the following questions:

1. Did total assets exceed \$32 million December 31, 2001?
2. Did the credit union have a home or branch office in a metropolitan statistical area (MSA) on December 31, 2001?
3. Did the credit union in 2001 originate at least one home purchase loan or refinance a home purchase loan secured by a first lien on a one-to-four-family dwelling?

If the answer to all three questions is **yes**, then HMDA data collection and reporting requirements apply. If the answer to any question is **no**, the credit union is exempt from HMDA filing.

# Chairman Dollar tours San Antonio housing development project

NCUA's "Access Across America" initiative focused on credit union partnerships with community programs and faith-based organizations when Chairman Dennis Dollar visited a San Antonio, Texas, housing development that he says, "demonstrates a firm credit union-community organization partnership."

The nonprofit San Antonio Alternative Housing Corporation formed a partnership in 1995 with San Antonio Federal Credit Union to help address the growing need for affordable housing in San Antonio. The Resurrection Heights subdivision has 15 completed houses plus many under construction financed by San Antonio Federal Credit Union. Thus far,

the \$1.4 billion credit union has provided construction funding and permanent loans for low- to moderate-income homeowners in West San Antonio for over 181 single-family homes totaling \$7.8 million.

Dollar believes that the program developed by San Antonio FCU and San Antonio Alternative Housing represents "a quality model for providing access to homeowners to an inner-city, underserved community." Based on its success, the credit union has committed an additional \$5 million toward the project. Plans are underway for two more subdivisions, both with more than 100 homes.

"The tremendous success of the San Antonio program further indicates the benefits of partnering with successful community organizations and becoming a part of existing programs that credit unions are eligible to participate in," Chairman Dollar said. "The opportunity to create economic empowerment for folks from all walks of life is a part of what credit unions do and is producing great results for many underserved Americans. NCUA wants to encourage these types of partnerships when they fit into a credit union's business plan because the innovation can spur such rewarding initiatives."



March 26, 2002, San Antonio, Texas — Chairman Dollar (center) with Yvonne Sandoval, homeowner; and from the left, Father Martin Elsner from Our Lady of Guadalupe Catholic Church; Jeffrey H. Farver, president of the San Antonio Federal Credit Union; and Rod Radle, executive director of San Antonio Alternative Housing Corporation.

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